

# Botswana



## key figures

• Land area, thousands of km <sup>2</sup>	582
• Population, thousands (2006)	1 760
• GDP per capita, \$ PPP valuation (2006/07)	11 611
• Life expectancy (2006)	34.4
• Illiteracy rate (2006)	18.8

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**M**ACROECONOMIC STABILITY and prudent use of diamond export earnings have catapulted Botswana, a low-income country half a century ago, to its current status as an upper middle-income country. Real GDP growth has averaged more than 9 per cent annually over most of the past four decades. Although there was a lull in economic performance starting in the late 1990s, economic growth has picked up in the last two years. In 2004/05 and 2005/06 real GDP grew by 8.3 per cent and 4.2 per cent respectively.

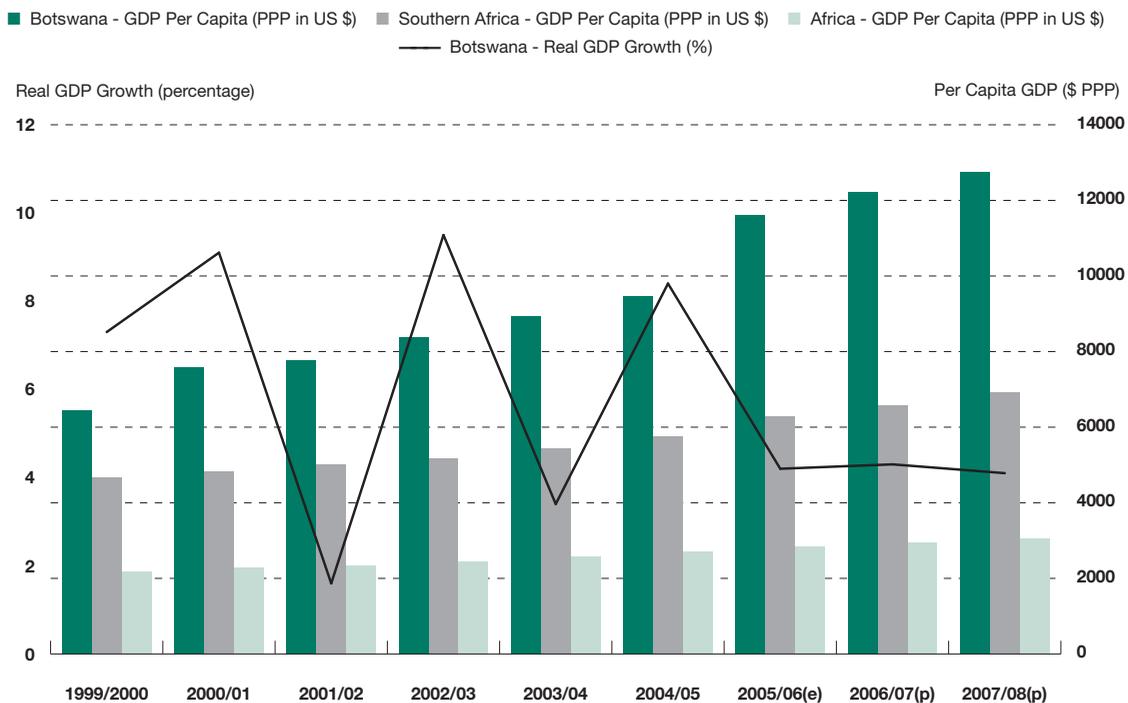
Efforts to create a more diversified economy, however, have so far had little success, with mining – largely diamonds – still accounting for a large share of domestic output and almost all exports. The government remains committed to reducing dependence

on mining and has recently initiated new measures to improve the business climate and export competitiveness. The new National Development Plans (NDPs), the budget and the Vision 2016 document have all emphasised the need to diversify the economy. The other major policy priorities are poverty, unemployment and HIV/AIDS. The strategies identified in the Mid-Term Review of National Development Plan 9 (NDP9, covering 2003-09) are all aimed at addressing these challenges in more innovative ways.

**Excessive dependence on the mining sector and the HIV/AIDS pandemic continues to threaten human development and economic growth.**

The HIV/AIDS pandemic remains the biggest threat to human development and economic growth

**Figure 1 - Real GDP Growth and Per Capita GDP**  
(\$ PPP at current prices)



Source: IMF and National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.

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in Botswana. The proportion of people infected with HIV is still one of the highest in the world. The government remains committed to finding innovative ways to address the problem, however, through research, early detection, new treatment therapies, free antiretroviral therapy, free testing and ongoing vaccine trials. The efforts of Botswana's government are complemented by the African Comprehensive HIV/AIDS Partnership, which is a collaborative scheme between the government of Botswana, the Bill and Melinda Gates Foundation and the Merck Foundation. This scheme is expected to continue until 2009.

## Recent Economic Developments

Economic growth in Botswana, though on average quite good, has exhibited considerable volatility in recent years. Real GDP growth accelerated from 3.4 per cent in 2003/04 to 8.3 per cent in 2004/05, but then decelerated to 4.2 per cent in 2005/06. The slowdown in 2005/06 is, however, the result of appropriate restraint in government expenditure and credit to the private sector. Growth is expected to stabilise at the 4 per cent level in 2007 and 2008.

The high growth performance in fiscal year 2004/05 was attributable to the mining sector, which grew by 18.2 per cent during the year, as opposed to just 0.3 per cent in 2003/04. The impressive performance of the mining sector reflected increased diamond production in the second half of 2004, making up for lower production in the first half of the year. Non-mining GDP, in contrast, grew at the lower rate of 1.9 per

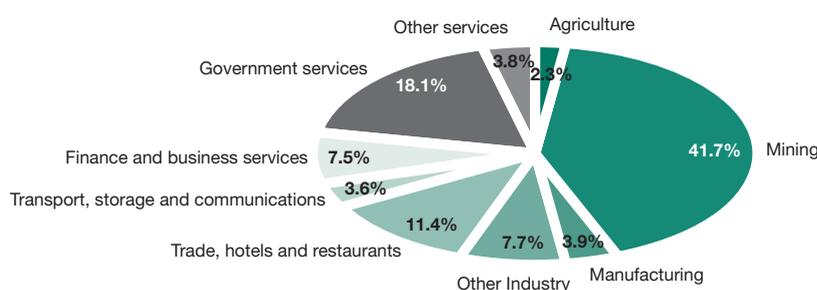
cent in 2004/05, representing a considerable decline from the 5.6 per cent recorded in the preceding year. Services were the leading sector in 2004/05, notably the transport sector, which recorded growth of 5.6 per cent, and business services, 4.1 per cent. Agriculture grew at a moderate 3.3 per cent while manufacturing registered growth of just under 3 per cent.

The mining sector, dominated by diamonds, contributed over 43 per cent to real GDP in 2005/06. The services sector, which accounts for 38 per cent of GDP overall, includes general government services (15.6 per cent of GDP), financial services (9.2 per cent), and wholesale and retail trade, including hotels and restaurants (9.1 per cent). Tourism, although it contributes only around 4 per cent to GDP, continues to be Botswana's second-largest source of foreign exchange earnings after diamonds.

Agriculture, which was the largest sector in the 1960s, contributed only 2 per cent of GDP in 2005/06. Agricultural production was adversely affected in 2005 by inadequate rainfall and drought, which hampered production of food crops. The share of manufacturing in total domestic output has also exhibited a declining trend. In 2005/06, the share of manufacturing in GDP was 3 per cent, in contrast to 8 per cent during the 1970s. Various government initiatives, including those of the Botswana Export Development and Investment Agency (BEDIA), have failed to spur diversification.

Although the share of total domestic investment declined to 34.8 per cent of GDP in 2004/05, from 43.2 per cent in the preceding year, largely on account

Figure 2 - GDP by Sector in 2004/05 (percentage)



Source: Authors' estimates based on National Institute of Statistics data.

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of a 23 per cent decline in private investment, the investment-to-GDP ratio is very high in Botswana by African standards. The share of private investment in GDP has risen dramatically since 1998 and is estimated to have recovered strongly in 2006. Public investment

also declined in 2004/05 but is estimated to have picked up in 2006. Investment, both public and private, is projected to continue to grow strongly at around 8 per cent.

**Table 1 - Demand Composition** (percentage of GDP)

	1997/98	2004/05	2005/06(e)	2006/07(p)	2007/08(p)
	Percentage of GDP (current prices)		Percentage changes, volume		
<b>Gross capital formation</b>	<b>30.1</b>	<b>34.8</b>	<b>15.8</b>	<b>8.3</b>	<b>7.3</b>
Public	15.0	9.1	18.0	9.0	8.0
Private	15.1	25.6	15.0	8.0	7.0
<b>Consumption</b>	<b>57.4</b>	<b>50.5</b>	<b>3.1</b>	<b>2.8</b>	<b>2.7</b>
Public	27.1	22.8	4.1	4.1	4.1
Private	30.3	27.8	2.4	1.8	1.7
<b>External sector</b>	<b>12.5</b>	<b>14.7</b>			
Exports	56.6	49.8	1.6	3.4	3.3
Imports	-44.1	-35.1	8.7	4.0	3.6

**Source:** IMF and National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/261103801637>

## Macroeconomic Policies

The Vision 2016 policy document, which sets ambitious goals for economic growth and poverty reduction, continues to guide macroeconomic policy in Botswana. The main elements of the country's economic strategy are also articulated in NDP9. A key objective remains macroeconomic stability in an economy that is prone to large, unanticipated fluctuations in earnings from mining, as well as shocks such as droughts. Another primary objective is to create an environment conducive to private-sector development and export diversification.

### Fiscal Policy

Botswana is well known for its fiscal prudence. Fiscal policy is aimed at ensuring that public resources are effectively used to provide the socio-economic infrastructure needed for rapid private-sector development and export diversification. The fiscal stance of the government is spelled out in the annual budget statements presented to parliament. It is noteworthy that, for 16 years prior to 1998/99, the

government recorded budget surpluses and the Bank of Botswana (BoB) accumulated a comfortable stock of foreign exchange reserves. From 1998/99 to 2003/04, the government incurred moderate fiscal deficits. In 2004/05, a budget surplus of 1.8 per cent of GDP was recorded, up from a modest deficit of 0.2 per cent of GDP in the preceding year. Although the government has estimated a budget surplus of 1.5 per cent of GDP in 2005/06, many independent forecasts point to a marginal deficit of around 0.2 per cent of GDP for the next two years.

The maintenance of this healthy fiscal balance was made possible by the government's prudent macro-economic management and the introduction of a number of measures to raise revenues and control expenditure. These include the introduction of the value-added tax (VAT) system and freezing of growth in certain expenditure categories such as official travel. Recently, the departments of Customs and Excise, VAT and Taxes were merged to form the Botswana Unified Revenue Service (BURS). Similarly, in 2005 a Fiscal Rule Budgetary Mechanism was introduced, which caps total expenditures at 40 per cent of GDP. For

Table 2 - **Public Finances** (percentage of GDP)

	1997/98	2002/03	2003/04	2004/05	2005/06(e)	2006/07(p)	2007/08(p)
<b>Total revenue and grants<sup>a</sup></b>	<b>41.2</b>	<b>37.0</b>	<b>38.0</b>	<b>36.8</b>	<b>36.9</b>	<b>37.0</b>	<b>36.1</b>
Tax revenue	33.6	31.7	33.2	33.3	33.7	33.6	33.4
Grants	0.6	0.2	0.1	0.7	0.4	0.6	0.0
<b>Total expenditure and net lending<sup>a</sup></b>	<b>36.3</b>	<b>40.6</b>	<b>38.2</b>	<b>35.7</b>	<b>37.1</b>	<b>37.1</b>	<b>36.5</b>
Current expenditure	24.0	29.9	30.4	28.2	28.1	27.5	26.5
<i>Excluding interest</i>	23.6	29.7	29.9	27.6	27.5	27.1	26.5
Wages and salaries	8.4	10.2	9.7	10.5	9.8	9.4	9.0
Interest	0.4	0.2	0.5	0.6	0.5	0.4	0.0
Capital expenditure	13.4	10.9	10.0	8.0	9.3	9.7	10.0
<b>Primary balance</b>	<b>5.3</b>	<b>-3.4</b>	<b>0.3</b>	<b>1.8</b>	<b>0.3</b>	<b>0.3</b>	<b>-0.3</b>
<b>Overall balance</b>	<b>4.9</b>	<b>-3.6</b>	<b>-0.2</b>	<b>1.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.3</b>

a. Only major items are reported.

Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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2006/07, a number of adjustments were made to the tax system; for example, the income threshold exempt from taxation was raised to 30 000 pula from 25 000 pula. Civil service salaries were increased by 8 per cent, slightly below the 8.5 per cent inflation rate forecast for 2006/07.

### Monetary Policy

Monetary policy in Botswana seeks to achieve low inflation and a stable exchange rate. The BoB's annual target rate of inflation was 4 to 7 per cent in 2006. For the first time, the BoB also set a medium-term target rate for the 2006-08 period, at 3 to 6 per cent. The medium-term inflation target was introduced in recognition of the lag between a policy change and its impact on the ultimate objective. It also affords the monetary authorities sufficient time to adjust policy as needed in response to shocks, such as large changes in administered prices, and is intended to help stabilise inflationary expectations.

In controlling inflation, the Bank of Botswana uses the growth rate of commercial bank credit as an intermediate target. Although the BoB has no direct influence on fiscal policy, it does monitor trends in

the government budget, focusing on the impact of fiscal policy on its inflation objective.

In 2006, inflation averaged 12.5 per cent, up from 11.4 per cent in the preceding year, and well above the target range. The rise in inflation was attributable in part to increases in administered prices, including the re-introduction of fees in government secondary schools, which contributed 1.1 percentage points, and fuel prices, which were increased three times in the first half of 2006 in response to high international oil prices and contributed around 1 percentage point to inflation<sup>1</sup>. Core inflation also increased from 11.1 per cent at the end of 2005 to 12.1 per cent in June 2006<sup>2</sup>.

### External Position

Exports of diamonds accounted for around 75 per cent of total exports on average over the 1980-2005 period, with other mining products accounting for roughly another 10 per cent. In 2005, diamond exports were 80 per cent of total exports, followed by copper and nickel (9 per cent), vehicles and parts (4 per cent), and textiles (3 per cent). Meat and meat products, which were Botswana's main exports until the early 1970s, declined to less than 1 per cent of total exports.

1. Bank of Botswana, *Mid-Term Review of Monetary Policy Statement*, 2006.

2. Core inflation is based on average inflation excluding outlier months.

The remarkable growth in diamond exports, along with prudent macroeconomic policies that restrained import demand, ensured that Botswana maintained a very strong balance-of-payments position, which led to the accumulation of large foreign exchange reserves. As at the end of 2006, Botswana's foreign reserves stood at \$6.2 billion, enough to cover 27 months of imports of goods and services.

Botswana's trade balance has consistently been positive. In 2004/05, the trade surplus increased to nearly 11 per cent of GDP, up from 5 per cent in the preceding year. Similarly, the current account surplus rose to around 8 per cent of GDP, as opposed to a deficit of 1.1 per cent of GDP in the preceding year. The current account surplus is forecast to increase further in the next two years.

Botswana's principal trade partners are the Southern African Customs Union (SACU) member countries (especially South Africa), the United Kingdom, the United States and the rest of Europe. Botswana's trade policies are largely dictated by its membership of SACU. The SACU agreement provides for a common external tariff structure and duty-free movement of goods originating within the customs union, except in specified exceptional circumstances. Currently, Botswana also participates in a number of other bilateral and multilateral agreements, including the Cotonou Partnership Agreement between the European Union (EU) and the African, Caribbean and Pacific (ACP) states (to be replaced by the Economic Partnership Agreement – EPA – currently being negotiated between the EU and the Eastern and Southern African regional grouping), the Generalised System of Preferences

**Table 3 - Current Account** (percentage of GDP)

	1997/98	2002/03	2003/04	2004/05	2005/06(e)	2006/07(p)	2007/08(p)
Trade balance	12.6	7.8	4.9	10.9	7.7	7.4	7.7
Exports of goods (f.o.b.)	51.2	40.8	33.3	40.1	39.4	39.8	40.1
Imports of goods (f.o.b.)	38.6	33.0	28.4	29.2	31.7	32.4	32.4
Services	-4.9	-0.1	-0.5	-0.3	3.2	3.3	3.3
Factor Income	2.5	-9.2	-11.3	-7.9	-6.7	-5.3	-4.5
<b>Current transfers</b>	<b>5.0</b>	<b>3.7</b>	<b>5.8</b>	<b>5.4</b>	<b>4.5</b>	<b>5.9</b>	<b>5.4</b>
<b>Current account balance</b>	<b>15.3</b>	<b>2.2</b>	<b>-1.1</b>	<b>8.1</b>	<b>8.8</b>	<b>11.3</b>	<b>11.9</b>

**Source:** Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations

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(GSP), the United States' African Growth and Opportunity Act (AGOA) and the World Trade Organisation (WTO).

Exchange-rate policy aims to balance the sometimes conflicting objectives of boosting non-traditional exports and lowering inflation. The policy has pegged the nominal effective exchange rate (NEER) of the pula to a basket of currencies comprising the IMF Special Drawing Right (SDR) and the South African rand in proportions that reflect Botswana's trade shares. Stability of the NEER has acted as a nominal anchor for monetary policy. In recent years, however, the real exchange rate of the pula has exhibited considerable volatility. For instance, the NEER appreciated by 25 per cent between 2000 and 2003, but was devalued by

7.5 per cent in February 2004. In May 2005, a crawling peg for the NEER was introduced, under which a further nominal devaluation of the pula by 12.5 per cent occurred. During this period, however, the real effective exchange rate appreciated by about 3.5 per cent as the downward crawl of the nominal exchange rate failed to offset fully the differential between domestic and trading partners' inflation rates.

To foster a more attractive investment climate, Botswana has completely liberalised the exchange control regime. Foreign direct investment (FDI) into Botswana has steadily declined from \$100 million in 1997 to around \$37 million in 2004, despite a relatively favourable investment climate and political stability. Foreign investors are perhaps deterred by

**Figure 3 - Stock of Total External Debt** (percentage of GDP)  
**and Debt Service** (percentage of exports of goods and services)



Source: IMF.

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Botswana's situation as a small landlocked country. Low incomes and the HIV/AIDS pandemic might also curtail the volume of FDI inflows in sectors other than natural resources.

## Structural Issues

### Recent Developments

For over four decades, Botswana has based its development strategies on the NDPs. These plans cover a six-year cycle, subject to a mid-term review every three years. The first eight NDPs (from NDP1, 1966-69, to NDP8, 1997/98-2002/03) focused on the twin objectives of achieving sustainable economic growth and diversification of the economy. The current plan (NDP9, 2003/04-2008/09) continues this focus with an emphasis on competitiveness in global markets. A mid-term review of NDP9 carried out in 2005 revealed that the targets for diversification were again not being achieved. The government is reassessing its strategy,

focusing on a few key economic reforms, including privatisation and reform of public-sector management.

Although the investment climate in Botswana is among the best in sub-Saharan Africa, the World Bank's *Doing Business* indicators reveal deterioration in 2006, with Botswana's rank falling to 48<sup>th</sup> from 44<sup>th</sup> out of 175 countries. The deterioration was most marked in the category of business licensing, where Botswana's position fell to 136<sup>th</sup> from 115<sup>th</sup>. Botswana also ranks poorly in investor protection, where its position fell to 118<sup>th</sup> from 114<sup>th</sup>. Clearly, there is room for improvement in these matters.

The government has recently created a High Level Consultative Council (HLCC), chaired by the country's president, consisting of government and private-sector representatives. Sectoral HLCCs were established to identify constraints at the industry level, and their recommendations are forwarded to the main HLCC for consideration. The government has also put in place other institutions, programmes and policies aimed

at promoting the development of the private sector. These include the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), the Hospitality and Tourism Association of Botswana (HATAB), the Botswana Export Credit Insurance and Guarantee Company Limited (BECI), the Botswana Bureau of Standards (BOBS), the Industrial Development Policy, the Small, Medium and Micro Enterprises (SMME) Policy, the Citizen Entrepreneurial Development Agency (CEDA) and the Botswana Export Development and Investment Agency (BEDIA).

The government set up the Public Enterprises and Privatisation Agency (PEEPA) five years ago, but since its establishment PEEPA has made little progress in divestiture. It has, however, undertaken a review of the operations and activities of local and central government departments and public enterprises, and has examined the availability of opportunities for private-sector participation in these public institutions. PEEPA also developed the Privatisation Master Plan for Botswana, which has since been approved by government. The Master Plan provides the framework and guidelines for the implementation of reforms to increase private sector participation in the economy. In addition, PEEPA has developed guidelines and manuals to help managers of public institutions implement privatisation in a consistent, transparent and equitable manner. These include the Contracting Out Guidelines and the Divestiture Procedure Manuals, and plans are under way to introduce procurement guidelines for public-private partnerships. PEEPA's annual work plan for 2005/06 included a feasibility study on merging the National Development Bank (NDB) and the Botswana Savings Bank (BSB). The study has since been completed, and the government has requested revisions of the recommendations. PEEPA is now finalising the procedures for the establishment of the Privatisation Trust Fund, which will hold shares of the privatised entities for the purpose of citizen economic empowerment.

### **Access to Drinking Water and Sanitation**

Both surface and underground water resources are scarce in Botswana. Over most of the country, rainfall is low, varying from 250 mm a year in the far south-

west to 650 mm in the extreme north; the national average is only 450 mm. Most of the rainfall, surface water and water in the soil is lost through evaporation and evapotranspiration, as open water evaporates at a rate of about 2 000 mm per year. Recurrent periods of drought exacerbate water scarcity.

Eighty per cent of Botswana is covered by the sands of the Kalahari desert, which has no effective drainage system apart from dry valleys, which hardly carry any water even after intense rainfall. The thickness of the Kalahari sand beds inhibits groundwater recharge through rainfall in most areas. Groundwater can be found beneath these sand beds, but generally at great depth, and with low yields that can support few people and livestock. Away from the Kalahari, groundwater is found closer to the surface (30-100 metres in eastern Botswana) and is recharged from rainfall. Surface water resources are concentrated in the thinly populated Ngamiland and Chobe districts, where the only perennial sources – the Okavango delta and the Kwando, Chobe and Liyanti rivers – are found. These two river systems provide 95 per cent of Botswana's surface water resources.

Although Botswana continues to develop its water resources at very great expense, demand for water has been rising over the years owing to the increasing degree of urbanisation coupled with the increasing affluence of the population. Botswana's total annual water demand reached 20 million m<sup>3</sup> in 1990, with the agricultural sector, mainly livestock and limited irrigation, consuming about half of this. By 2006, water demand in Botswana has risen to about 88.3 million m<sup>3</sup>. This demand level is projected to rise to about 104.8 million m<sup>3</sup> in 2015 and 186.5 million m<sup>3</sup> in 2035.

A review of the water balance situation in Botswana reveals that, on average, more than 46 per cent of it is wasted through leakage, lack of demand management programmes and inefficient use. The current average water losses of the Department of Water Affairs (DWA) are 28 per cent and those of the Water Utilities Corporation (WUC) 10 per cent. Thus, significant savings could be made by addressing water conservation and demand management in Botswana. The need for

accurate reporting and monitoring is therefore essential, as a starting point for future demand management and water conservation.

Botswana's future water demand will be met by utilisation of shared watercourses because the available water resources may be insufficient to meet future demand projections. Thus, participation in trans-boundary water resources management is one of the government's priorities, since most of the country's major rivers share courses with neighbouring countries. Botswana has entered into four trans-boundary agreements concerning watercourses, namely the Orange-Senqu, Limpopo, Okavango and Zambezi rivers.

Water resources management is the responsibility of a number of institutions, including the Ministry of Minerals, Energy and Water Resources (MMEWR), Ministry of Local Government (MLG), Ministry of Agriculture (MOA), district councils, the National Conservation Strategy (Coordinating) Agency (NCSA), and the Department of Waste Management and Pollution Control (formerly the Department of Sanitation and Waste Management). The MMEWR has overall responsibility for policy in the water sector. Within MMEWR, the DWA is responsible for groundwater investigations, protection and monitoring of resources, and water supply development in rural areas.

In the area of water resources development (i.e. construction of dams and well-fields, water transfer from source to user point, and water reticulation at the end user point), the WUC, a wholly government owned parastatal, is responsible for development of infrastructure and water supply to six urban centres. WUC supplies clean, safe drinking water to about 34 per cent of Botswana's population.

Significant progress has been made in the provision of water infrastructure, and the government of Botswana is committed to implementing the NDP9 projects in the water services sector. Planned projects in the next two years include: *i*) construction of the Lotsane, Ntimbale, Lower Shashe and Thune dams; *ii*) construction of new village water supply systems and major rehabilitation works on 13 existing systems;

*iii*) expansion of urban water supply systems to address increasing demand (which is growing by 16 per cent annually); *iv*) groundwater resources investigation and development (four projects).

Water quality issues are governed by regulatory standards formulated by the Botswana Bureau of Standards, which stipulates product quality standards and the penalties for breach of such standards. In terms of water charges, the government subsidises the operating costs of water delivery by more than 40 per cent. In addition, there is a subsidy on water infrastructure. The structuring of water charges clearly reflects the government's policy of making water available to rural communities at an affordable charge.

Although water is scarce in Botswana, the country is determined to provide universal access to safe drinking water. The proportion of the population with sustainable access to safe drinking water increased from 77 per cent in 1996 to 97.7 per cent in 2000. Recently, however, this figure has marginally declined, as the data for 2005 indicate that 96 per cent of the population had access to safe drinking water. Surface water resources, though limited, continue to constitute the main sources of water supply in urban areas, while rural areas largely rely on groundwater resources. There are around 25 000 officially registered boreholes in Botswana, of which 10 000 are owned by the government. All officially recognised settlements have at least one standpipe within an average radius of 400 metres for every household, provided and maintained by the government.

Some disparities are found between urban and rural areas in terms of access to water. In 2000, nearly all households in urban areas had running water in their homes (52.1 per cent) or could fetch it from a nearby public standpipe. Only 9.1 per cent of rural households had piped water in their homes. About 84.2 per cent have access to public standpipes, while about 7 per cent of rural dwellers did not have access to safe drinking water at all.

Although Botswana has made great strides in terms of potable water supply, the wastewater and sanitation sector has not grown to the same extent. Currently, only

41 per cent of the population in Botswana has access to sanitation. The Botswana's Landfill Guidelines and Waste Management Act (1998) and the Sanitation and Waste Management Policy of August 2001 provide the necessary institutional, administrative and legal structures for the implementation of a programme of action on sanitation. The creation of the Department of Sanitation and Waste Management in the Ministry of Local Government was instrumental in the development of the National Master Plan for Wastewater and Sanitation (NMPWS) in 2003.

Gaborone has a wastewater treatment plant, and there is a biological filtration plant in Francistown to treat the city's wastewater. With the exception of these two cities, all of the municipal wastewater treatment plants in Botswana are currently using waste stabilisation pond systems, with or without anaerobic pre-treatment. The wastewater from government institutions is also treated in waste stabilisation pond systems except for the smallest institutions, where communal septic tanks are used.

The NMPWS aims to double sewerage coverage from 12.5 per cent of the population to 25 per cent by 2030. Botswana currently has about 75 wastewater treatment facilities and manages to recover only half of its annual throughput of wastewater for reuse. To improve the coverage of waste management and sanitation in the country, NDP8 (1997-2003) provided for the construction of 22 000 latrine substructures in villages and other remote settlements. A total of 18 635 latrines (about 85 per cent of planned) have been completed. In addition to the latrines, other technological approaches have been tried in the villages. One such technology is the Enviro Loo, a sealed dry compost unit incorporating accelerated dehydration utilising a wind-powered turbine ventilator.

## Political Context and Human Resources Development

Botswana is well known for political stability and good governance, and democratic principles are deeply entrenched following decades of successful democratic

transitions. Botswana operates a multi-party democracy with a parliamentary system of government. In the last election, President Festus Mogae was re-elected, and his party, the Botswana Democratic Party (BDP), won 44 of the 57 parliamentary seats. Despite the country's long experience of democracy, the opposition parties are very weak, fragmented and unco-operative.

In spite of its excellent economic performance, Botswana faces the serious development challenges of chronic unemployment, high levels of poverty and the HIV/AIDS pandemic. The rate of unemployment increased from 14 per cent in early 1990s to 24 per cent in 2004/05. Unemployment is much higher among women (24 per cent) than among men (17 per cent), even though the labour force participation rate for women is far lower than that for men.

In terms of regional distribution, unemployment is highest in urban villages (25 per cent), followed by rural areas (18 per cent) and lowest in urban towns (16 per cent). As in most developing countries, unemployment is most prevalent among young people aged between 15 and 24 years. The overall youth unemployment rate in Botswana is over 40 per cent; the rate for females is higher at 48 per cent unemployment, while male youth unemployment is 35 per cent.

A number of factors have contributed to the growing unemployment in Botswana, including skill shortages (especially entrepreneurial skills), poor attitudes towards work that contribute to low productivity and lack of funds to start up a business. Recent studies on productivity in Botswana confirm that workers have a relaxed attitude to work and seem to lack motivation. There have been numerous efforts to address these problems in recent years, some by the Botswana National Productivity Centre.

A recent status report on progress towards the Millennium Development Goals (MDGs) shows that Botswana is on target to achieve many of these goals, including the poverty reduction target. Even so, the incidence of absolute poverty is still high in Botswana. Estimates from the 2002/03 Household Income and

Expenditure Survey data indicate that the proportion of people living below the poverty line fell from 47 per cent in the 1990s to 30 per cent in 2003. The United Nations *Human Development Report* for 2006 also estimates that 23.4 per cent of the population was living below \$1 per day during the 1990-2004 period; in fact, the report ranked Botswana 93<sup>rd</sup> out of 102 developing countries in terms of the human poverty index (HPI)<sup>3</sup>. For the economy to achieve its Vision 2016 goal of zero poverty, there must be concerted efforts and new strategic thinking towards poverty eradication.

The HIV/AIDS pandemic is imposing high budgetary expenditures on treatments as well as disabling a sizeable part of the workforce, thus reducing employment and output. The government continues to implement the comprehensive national strategic framework (NSF) for HIV/AIDS, aimed at having an HIV-free generation by 2016. The NSF involves a triple approach of prevention, care and treatment, which has already begun to yield dividends, as the proportion of the sexually active age group (15-64 years old) infected with HIV appears to have declined below 35 per cent. While the increased government expenditure on the NSF is important, behavioural change is also required if the incidence of HIV infection is to be reduced. The government remains committed to finding innovative ways to address the problem, and its efforts are being seconded by the African Comprehensive HIV/AIDS Partnership. Such a collaborative scheme between the government and non-governmental organisations is expected to continue for the next three years. The international community,

led by bilateral and multilateral donors, is providing additional support towards addressing the HIV/AIDS pandemic in Botswana.

Botswana has made significant progress on the other MDGs, particularly on those relating to universal education and gender equality. The country has already achieved the 100 per cent target for primary school enrolment and 100 per cent transition rate from primary education to junior secondary education. Secondary school enrolment is currently above 90 per cent, and the immediate focus is on raising it to 100 per cent within the next few years. The government is also striving to improve the quality of education at all levels, with strong emphasis on technical, management and vocational education. With regard to gender equality, Botswana has already surpassed its targets in primary and secondary education, as the net school enrolment rate for girls is greater than that for boys, while the female literacy rate exceeds the male rate. Despite these impressive statistics, women remain relatively disadvantaged in terms of access to social services and economic opportunities, and women are also disproportionately afflicted with HIV/AIDS.

Overall, the human development index (HDI) for Botswana is relatively favourable but exhibits a declining trend since the early 1990s. From a peak of 0.68 in 1990, it had fallen to 0.57 in 2004, largely due to the relatively low value of its life expectancy index. The HIV/AIDS situation and other health-related problems have combined to reduce average life expectancy to only 35 years.

3. Of the 102 countries, only nine (Mozambique, Sierra Leone, Guinea, Swaziland, Ethiopia, Niger, Chad, Burkina Faso and Mali) have worse poverty situations than Botswana.